United Nations A/C.2/62/SR.13

General Assembly
Sixty-second session

Official Records

Distr.: General
12 November 2007

Original: English

Second Committee

Summary record of the 13th meeting
Held at Headquarters, New York, on Thursday, 25 October 2007, at 3 p.m.

Chairperson: Ms. Lintonen ..... (Finland)

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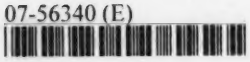

The meeting was called to order at 3.10 p.m.

Agenda item 52: Macroeconomic policy questions

(a) International trade and development (A/62/15 (Part I), A/62/15 (Part I)/Corr.1, A/62/15 (Part I)/Corr.2, A/62/15 (Part II), A/62/15 (Part II)/Corr.1, A/62/15 (Part III), A/62/15 (Part III)/Corr.1, A/62/15 (Part IV), A/62/210, A/62/266 and A/62/71-E/2007/46)

1. **Mr. Panitchpakdi** (Secretary-General, United Nations Conference on Trade and Development (UNCTAD)), introducing the Secretary-General's report on international trade and development (A/62/266), said that the world economy, the international trading system and the contribution of globalization to development had changed profoundly over the past seven years. Those changes must be harnessed by seizing every opportunity to enhance economic security, poverty reduction and job creation; fostering technological progress and human development; and ensuring greater global governance and solidarity as a complement to action at the national and regional levels. UNCTAD XII, to be held in April 2008 in Ghana, would provide an occasion to examine and make progress on all those issues.

2. Globalization was already being democratized and rebalanced, largely as a result of the rise of the South as an engine of regional and global trade and economic growth. The South accounted for 36 per cent of world trade and 35 per cent of inward foreign direct investment flows and was growing at a rate unprecedented in recent history. Particularly noteworthy was the emergence of developing countries as investors in other developing countries, including in greenfield ventures, mostly through State-owned enterprises. Developing countries were also some of the largest and fastest-growing markets for world exports.

3. The shift by nations of the South from dependence should be encouraged, replicated and deepened throughout the world, since it benefited all countries. For that reason alone, any neo-protectionism in the form of economic nationalism directed against trade and investment with developing countries should be eschewed.

4. All those changes justified granting the South greater voice and participation in global economic governance. However, even the more successful developing countries faced formidable challenges of widespread poverty and infrastructure deficits-challenges that should be duly considered before labelling them "advanced" or "threatening".

5. Many other developing countries, especially the least developed countries, landlocked developing countries and small and vulnerable developing economies, were faced with increasing marginalization. In order to promote economic growth and poverty reduction in those countries, national and international policies were required that promoted capital accumulation, technological progress and structural change and paid attention to the development of infrastructure and entrepreneurship, including through South-South cooperation. South-South regional trade agreements and other forms of economic integration could have a positive impact on trade and development for all concerned, even if some of the arrangements were based on a hub-and-spoke relationship. Such integration improved infrastructure linkages, competitiveness and value chain participation and spurred foreign direct investment. The quantum leap in South-South trade resulted in stronger and broader economic cooperation among developing countries. In that regard, it was important to conclude the third round of negotiations on the Global System of Trade Preferences among Developing Countries.

6. New models of economic cooperation among developing countries were needed and institutions and partnerships focusing specifically on trade, investment, finance, research and development, enterprise development, technical cooperation, and trade and transport infrastructure should be established. UNCTAD would promote such cooperation as a catalytic force for growth and development. Furthermore, as the more successful developing countries climbed the ladder, they should pave the way for others to follow. New models and prospects for trade and investment relationships in which the more successful developing countries transmitted development know-how to less successful ones had opened up and should be carefully nurtured and propagated.

7. Unique complementarities had created unparalleled opportunities for labour migration that could advance inclusive globalization for development and attainment of the Millennium Development Goals. A leap of faith was needed to unleash labour mobility and integration while devising pragmatic trade and

development strategies. The best antidote for illegal migration and its attendant problems was to liberalize and facilitate the temporary movement of workers, in keeping with modes 1 and 4 commitments under the General Agreement on Trade in Services and regional and bilateral agreements. Special care was needed to ensure that sending countries reaped not only socio-economic benefits from remittances and diaspora networks, but also net "brain gain" through cooperative arrangements with receiving developed countries.

8. UNCTAD expected that competition in the South for natural resources would intensify for at least a decade. Such demand had led to booming prices for the exports of commodity-producing and commodity-dependent developing countries, particularly in Africa and in the least developed countries as a whole. Those countries must ensure that the boom was sustained and that their increased share of the value was retained, and must improve productivity and diversify out of commodity dependence. They must also plough the gains back into social and physical infrastructure.

9. The international community, in turn, must help those countries deal with price fluctuations and volatility and increased energy import bills and must further enable their small producers to participate in and benefit from local, regional and international markets. International agricultural trade reform and liberalization were prerequisites, as was donor support, especially for support services and to provide seed funding for public-private partnerships for the viable development and diversification of the commodity sector.

10. He underscored the severe impact of high energy prices on the trade and development prospects of developing countries. Oil and energy exporters risked seeing their increased energy export revenues lead to real exchange rate appreciation and their loss of competitiveness. The most devastating impact would be on oil-importing developing countries, which were in the majority, owing to the multiplier effects of rising import bills throughout the economy. Cooperative short-, medium- and long-term energy strategies at all levels were needed to combat those effects.

11. The growing application of non-tariff barriers, particularly in the form of product standards or regulations, whether government or private, national or international in origin, also was of major concern to developing countries. Such barriers were stringent, affected almost all export sectors and changed frequently, and compliance with them was costly. The World Trade Organization (WTO) and regional trade agreements should purposefully address them. UNCTAD was already doing so.

12. Vigilance was needed to ensure that emerging environmental policies and regimes, including climate change mitigation, did not constitute unnecessary obstacles to developing country exports. At the same time, those countries' prospects for producing and exporting energy-efficient and environmentally preferable products should be strengthened.

13. Turning to the ongoing multilateral trade negotiations, he said that more trade was covered by preferential trade arrangements than was conducted on a most-favoured-nation basis through WTO. That trend must not be allowed to undermine the multilateral approach. All concerned, especially the major trading countries, must show leadership in making the "down payments" and compromises needed for a timely, balanced and successful conclusion of the Doha Development Round.

14. The Round must result in real, enhanced and additional market access for developing country exports; provide duty-free and quota-free access for least developed countries; effectively discipline non-tariff barriers; and liberalize and facilitate labour mobility and integration under modes 4 and 1 of the General Agreement on Trade in Services. It must also provide developing countries with sufficient policy space and flexibility that allowed them to foster productive capacity, food and energy security and rural livelihoods and cushion or avoid unsustainable adjustment costs. The negotiations must reduce and eliminate trade-distorting agricultural subsidies and create a truly level playing field for developing countries. Aid for Trade must be significant, additional, non-debt-creating, predictable, needs-based and demand-driven. Such aid must not be conditional on the outcome of the Round, and all developing countries in need should benefit from it. Lastly, the outcome of the Round must ensure coherence between the multilateral trading system and North-South regional trade agreements, particularly with respect to the development dimension and the rights and obligations of developing countries. UNCTAD would reinforce its support of those countries in negotiating and benefiting from such agreements, including partnerships between

the African, Caribbean and Pacific States and the European Union.

15. Financial market instability and exchange rate volatility and misalignment could have an adverse impact on the competitiveness of developing countries. There was also an increasing risk that a correction of the global trade and current account imbalances that had accumulated over many years would result in a significant slowdown of the world economy, imposing severe adjustment costs on developing countries.

16. More effective, broad-based multilateral governance of the international monetary and financial system was therefore required. That should involve, inter alia, inventing new roles and governance for development in the United Nations and the multilateral financial institutions, which would ensure greater coherence with the multilateral trading system and internationally agreed development goals. Achieving all the Millennium Development Goals would depend primarily on developing global solidarity and partnership, including increased efforts by donors to meet their ODA targets and replenish the resources of the International Development Association. It should also include helping developing countries to step up investments in physical infrastructure and enhancing the quantity and quality of development assistance.

17. **Mr. Draganov** (President of the Trade and Development Board of the United Nations Conference on Trade and Development (UNCTAD)), introducing the report of the Trade and Development Board on its fortieth executive session (A/62/15 (Part I), A/62/15 (Part I)/Corr.1 A/62/15 (Part I)/Corr.2, A/62/15 (Part II), A/62/15 (Part II)/Corr.1, A/62/15 (Part III), A/62/15 (Part III)/Corr.1, A/62/15 (Part IV), A/62/210, A/62/266 and A/62/71-E/2007/46), said that he would focus on the fifty-fourth annual session of the Board, held in Geneva from 1 to 11 October 2007 (TD/B/54/8).

18. In preparation for UNCTAD XII, the high-level segment at the start of the session had addressed the theme of globalization and inclusive development. Despite the impressive performance of developing countries as a whole in recent years, it had been widely acknowledged that many of them, particularly the least developed and other low-income countries, had neither benefited from the economic recovery nor been able to translate growth into poverty reduction. Several factors that could promote economic and social inclusion and help developing countries integrate more effectively into the world economy had been highlighted. Access to clean energy and the use and export of renewable energy could help mitigate the adverse impact of climate change on developing countries. International labour migration could benefit both sending and receiving countries through remittances and the loosening of constraints on the workforce.

19. A number of delegations had expressed the view that the more equitable distribution of the benefits of globalization at the national level would require States to strengthen their institutional capacity to formulate and implement pro-poor policies. The need for a vibrant private sector and for Governments to promote local entrepreneurship had also been emphasized.

20. In the view of the Board, UNCTAD XII would provide an ideal opportunity to move forward in the debate on globalization and inclusive development, which it viewed as a moral imperative.

21. The Board had discussed regional cooperation for development against the background of the *Trade and Development Report, 2007*. There had been broad agreement that, while the current global economic environment was favourable for development, inequality and social exclusion remained serious problems and that many poor countries, especially in Africa, had little hope of reaching the Millennium Development Goals. Moreover, recent improvements in growth performance had yet to be translated into sustained long-term progress. Concern had been expressed about the impact on developing countries of the recent turbulence in financial markets and about persistent global imbalances. It had been suggested that greater systemic coherence and improved macroeconomic policy coordination would foster a more stable global economic environment.

22. There had been broad consensus on the desirability of greater regional cooperation among developing countries in support of national development strategies. Such cooperation — when adapted to the specific circumstances of regions and countries — could lead to increased investment and faster transformation in developing countries. Closer monetary and financial cooperation at the regional level could compensate to some extent for shortcomings in international financial governance, and the creation of regional economic spaces could

increase the range of policy options open to developing countries.

23. The views of Board members had differed with respect to the developmental implications of bilateral and regional free trade agreements between developed and developing countries. Typically, the agreements were broader in scope than multilateral agreements currently in place or under negotiation. Some delegations had argued that the agreements could help developing countries reap greater benefits from globalization, whereas others believed that the agreements might reduce the national policy space needed to support structural change in developing countries.

24. The Trade and Development Board had conducted its annual review of progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010. In recent years many of the least developed countries had benefited from stronger growth and macroeconomic stability and had made progress in areas such as health and education. However, their economies continued to specialize in a narrow range of basic products and to suffer from shocks and crises. Several speakers had noted that it was unlikely that any of the least developed countries would achieve the Millennium Development Goals.

25. The least developed countries were pursuing their development goals in the context of an increasingly knowledge-intensive world economy, and the pace of scientific and technological change was accelerating strongly. Although innovation was vital for long-term growth and development in developed and developing countries alike, the phenomenon increased the risk of marginalization of developing countries in general and of the least developed countries in particular. To counter the risk, those countries needed to mainstream science, technology and innovation in their national policies and poverty reduction strategies. The poorest countries required support from their development partners in the form of well-directed financial and technical resources, including ODA, and expanded capacity-building programmes.

26. The Board had welcomed *The Least Developed Countries Report 2007: Knowledge, Technological Learning and Innovation*. Those issues had tended to be neglected by the policymakers of the least developed countries in recent decades. Productive capacities and technological capabilities should be placed at the centre of national policies and poverty-reduction strategies. In its agreed conclusions, the Board had emphasized a need to identify practical national and international policies and measures to promote technological learning and innovation in least developed countries, as well as a need to enhance public awareness of the role of science, technology and innovation in development and poverty reduction.

27. The Board's discussions on Africa had been based on the report by the UNCTAD secretariat on economic development in Africa: Reclaiming Policy Space — Domestic Resource Mobilization and Developmental States. The Board had noted the continuing importance to Africa of ODA and Aid for Trade, and had called on developed countries to fulfil their commitment to doubling aid to the continent in order to achieve the Millennium Development Goals.

28. A few representatives had stated that the continent had little to show for aid in terms of development, while others had pointed out that aid commitments were not being fulfilled and that official figures were skewed by the inclusion of debt relief. ODA also had many limitations, including excessive conditionalities that limited policy space for recipients. It was therefore necessary to mobilize domestic resources not only as a complement to aid, but also as a means of gaining flexibility and policy space to address the genuine needs of African countries. Most delegations had agreed that domestic resources could be mobilized by tapping the potential in the informal sector, developing better taxation policies, making use of remittances and reversing capital flight. To be successful, however, such efforts required a supportive international environment, as provided for in the Monterrey Consensus and the São Paulo Consensus.

29. Delegations had generally agreed that the rollback of the role of the State in Africa since the 1980s had been at least partly responsible for the continent's current economic crisis. Sustainable development required a more active and better organized State, encouraging enhanced mobilization and use of savings. Some delegations had stated that some of the commitments entered into at the international level had restricted the policy space in which developing countries could pursue policies that matched their developmental needs.

30. Several delegations had emphasized the important role of the private sector in the development process and, in the case of Africa, the role of small and medium-sized enterprises and microfinance institutions. It was important to create and maintain an appropriate domestic environment through good governance and the development of internally integrated economies, so as to increase the savings and investments that fuelled high growth.

31. A successful, development-oriented outcome to the Doha Round was considered essential for realizing development gains, moving towards the Millennium Development Goals and mainstreaming development into the multilateral trading system. A successful Round would also enhance the credibility of the multilateral trading system, especially given the recent proliferation of bilateral and regional trade initiatives and the possible resurgence of unilateralism and trade protectionism.

32. Some participants, while acknowledging that the Doha Round faced severe time constraints, believed that that should not prevent negotiators from securing adequate development outcomes. In particular, progress was urgently needed in agriculture and non-agricultural market access. To that end, all participants must show flexibility in the search for common ground and the major trading nations must take the lead in that search. At the same time, the Aid for Trade initiative should be made operational, and other international solidarity measures should be adopted in order to help build developing countries' competitive supply capacities and trade-related infrastructure.

33. In accordance with General Assembly resolution 57/270 B, the Board had considered the most recent report of the UNCTAD secretariat on the contribution of UNCTAD to the implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic and social fields. The report reviewed the progress made in the post-Doha work programme, the Programme of Action for the Least Developed Countries for the Decade 2001-2010; the Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries; and the Mauritius Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States. The report provided examples of activities being carried out by UNCTAD to help developing countries create an enabling environment for investment, promote FDI inflows and derive development benefits from such investment.

34. The sustainability of external debt was another crucial element in the development prospects of poor countries, as had been highlighted not only in the Monterrey Consensus but also at the World Summit on Sustainable Development and the 2005 World Summit. UNCTAD had played an important role in monitoring the external debt situation of developing countries, providing extensive assistance in debt management, and carrying out analytical work on debt and development finance.

35. With regard to assistance from UNCTAD for the Palestinian people, the Board had noted the wide support expressed for the secretariat's efforts to implement paragraph 35 of the São Paulo Consensus, and for its proposal to consider alternative routes for Palestinian trade and expand the policy instruments available to Palestinian policymakers. The deliberations on the agenda item were reflected in the President's summary in document TD/B/54/8. It was hoped that the Board's deliberations would encourage donors to address the resource constraints affecting the implementation of the UNCTAD secretariat's technical cooperation programme for the Palestinian people.

36. In addition to addressing recurring agenda items, the Board had formally launched the intergovernmental preparatory process for UNCTAD XII and had established an open-ended preparatory committee under the chairmanship of the President of the Board. UNCTAD XII would discuss the opportunities and challenges of globalization for development, including coherence in global policymaking, key trade and development issues, and an enabling environment that would strengthen productive capacities, trade and investment. It would also address strengthening the role, impact and effectiveness of UNCTAD.

37. **Mr. Vos** (Director, Development Policy and Analysis Division, Department of Economic and Social Affairs) said that the report of the Secretary-General entitled "Unilateral economic measures as a means of political and economic coercion against developing countries" (A/62/210) had been prepared in response to General Assembly resolution 60/185. Member States and relevant organizations, programmes and agencies

within and outside the United Nations system had been invited to provide information on recent developments in that area.

38. Nine Member States, two United Nations bodies and the Organization for Economic Cooperation and Development (OECD) had replied. Most of the respondents had expressed the view that the application of unilateral economic measures as a means of political and economic coercion was contrary to the principles of the Charter of the United Nations, international law and international cooperation. All Member States that had sent a reply had indicated that they did not apply such measures. Several replies had referred to paragraph 5 of the Doha Declaration adopted at the Second South Summit of the Group of 77 and China held in June 2005, which had called on the international community to eliminate the use of unilateral coercive economic measures against developing countries (A/60/111, annex I). OECD had expressed the view that such measures should be used only as a last resort and their application should be consistent with international law.

39. Two Governments and two regional commissions of the United Nations (the Economic and Social Commission for Asia and the Pacific (ESCAP) and the Economic and Social Commission for Western Asia (ESCWA)) had reported specific instances of the application of unilateral economic measures and described the adverse impact of such measures on the economies of countries that had reported suffering varying degrees of unilateral coercive economic sanctions, including Cuba, the Democratic People's Republic of Korea, Lebanon, Myanmar, the Syrian Arab Republic and Zimbabwe, and on the economy of the Occupied Palestinian Territory.

40. **Mr. Said** (Pakistan), speaking on behalf of the Group of 77 and China, noted that export growth over the period 2000-2005 accounted for over 60 per cent of GDP growth for developing countries, which highlighted the potential role of international trade as a powerful engine of economic growth and development. Unfortunately, the continuing impasse in the Doha Round created uncertainty as to whether the multilateral system would deliver on its development potential and had undermined the capacity and endeavours of the developing countries to achieve internationally agreed development goals, including the Millennium Development Goals. It had also compromised the efforts to establish a universal, rule-based, open, non-discriminatory and equitable multilateral trading system that contributed to economic growth and sustainable development.

41. The international trade regime had always been weighted against the developing countries. There was no mechanism for commodity price stabilization and for over 40 years textiles and agriculture had been excluded from liberalization, which had so far taken place only in areas where the rich countries were strong and where the poor could not compete. Developing country products faced discriminatory, high and escalating tariff barriers.

42. The stalemate in the Doha Round was bad news for both developed and developing countries in terms of the credibility of the multilateral trading system and the multilateral trade negotiating process, particularly in the context of the commitments made to developing countries.

43. The objectives of significant liberalization of agriculture, reduction of high and discriminatory industrial tariffs, and equitable liberalization of service, especially labour, were equally important for all countries. The onus of striking the "grand bargain" should not be placed on the developing countries, in view of the continuing inequity and discriminatory constraints imposed by the present multilateral trading system. The development goals of the Doha Round should not be sacrificed for the sake of an early but empty conclusion. The results had to be tangible and significant trade benefits for the developing countries.

44. The key benchmarks for a successful and development-oriented outcome of the Doha Round included liberalization in the agriculture sector. The objectives in other sectors were the reduction or elimination of tariffs, tariff escalation and non-tariff barriers, especially on products of export interest to developing countries, with special and differential treatment and "less than full reciprocity" in reduction commitments in favour of developing countries. The plurilateral approach should produce the desired results in the services sector, including commitments to liberalize labour services (mode 4 on temporary movement of natural persons), which had immense potential for enhancing world welfare. Liberalization of labour services would help to restore balance and reduce distortions in the international trade regime. Market access and trade liberalization were often still negated by non-tariff barriers, market access barriers

and residual bias in tariff structures. Developing countries' exports were constrained by a number of arbitrary and abusive non-tariff measures, including sanitary, phytosanitary and anti-dumping measures, which reduced the credibility of multilateral trade rules.

45. Special and differential treatment and implementation issues continued to be essential for addressing imbalances in the multilateral trading system on a fast-track basis in accordance with the Doha mandate. The initial 88 agreement-specific special and differential treatment proposals had seen little progress in terms of making them more precise, effective and operational. The objective of all special and differential treatment should be to ensure that weaker and non-competitive countries were not negatively affected by trade liberalization. The Doha talks had focused on enabling the weaker economies to build the human, physical and institutional capacity for production and trade. The early operationalization of the Aid for Trade Initiative should generate the requisite additional resources to assist in such capacity-building. However, the Aid for Trade Initiative must be implemented in conjunction with greater market access for the exports of developing countries and capacity-building should be promoted more comprehensively. As noted in the Secretary-General's report, the effective operationalization of the principles of special and differential treatment and "less than full reciprocity", supported by an ambitious and operational Aid for Trade, would be instrumental for rendering the trading system sensitive to the development aspirations of developing countries and ensuring their sustainable and beneficial participation in international trade (A/62/266, para. 61).

46. A closer linkage should be established between international trade and the achievement of internationally agreed development goals, including the Millennium Development Goals. The United Nations and UNCTAD should help to develop more specific indicators and benchmarks to monitor progress in the contribution of trade to the achievement of the goals mentioned. Such monitoring should record both positive results and negative impacts of trade regimes and liberalization. It should also consider the impact of tariff regimes, commodity prices and availability, special and differential treatment, non-tariff barriers and the impact of the Agreement on Trade-Related Investment Measures (TRIMs Agreement) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), including on the transfer and application of technologies required for development and industrialization.

47. The global intellectual property rights regime should facilitate the transfer and dissemination of the knowledge, technology and know-how essential for sustained economic growth and sustainable development. A more comprehensive review of the TRIPS regime should be conducted in order to make it development-oriented. The regime should be modified to ensure that it helped and did not hinder development. In that regard, the slow pace of ratification of the TRIPS amendment adopted in December 2005 was also a cause of concern.

48. UNCTAD had made invaluable contributions to identifying and advancing the goals of development through trade and should continue to produce its high-quality analysis, forecasts and recommendations. It required the most qualified personnel to discharge that often challenging function and should be provided with adequate resources for effectively fulfilling its mandated responsibilities.

49. The Group of 77 and China also stressed the importance of facilitating the accession of all developing countries, in particular the least developed countries, that applied for membership in WTO, without political impediments, in an expeditious and transparent manner and with full observance of the principles of special and differential treatment for developing countries.

50. In advancing the global trade agenda through the Doha Round, the international community should be particularly mindful of the special needs and challenges faced by the least developed countries, landlocked developing countries and small island developing States.

51. In conclusion, he called upon the developed countries to demonstrate the flexibility and political will required to break the current impasse in the Doha Round of trade negotiations and to work towards their early resumption and timely completion, with the fullest realization of the development dimensions of the Doha Work Programme. In that context, it was important to recognize the mandates contained in the Doha Ministerial Declaration, the WTO General Council decision of 1 August 2004 and the Hong Kong Ministerial Declaration in order to integrate the

developing countries into the multilateral trading system.

52. The leaders at the 2005 World Summit had reaffirmed the need for the United Nations to play a fundamental role in promoting international cooperation for development and the coherence, coordination and implementation of development goals and actions agreed by the international community. The General Assembly should therefore send a clear and strong message to WTO for an early and genuinely development-oriented outcome of the Doha Round. That was particularly important in view of the current preparations for the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, which had also recognized trade as an important source of financing for development.

The meeting rose at 6.05 p.m.